(b) and (c) The initial draft feasibility report has recommended that the refining capacity is desired to be enhanced from 7.5 MMTPA to 15.0 MMTPA to improve project economics. Hence it has been proposed that while carrying out detailed feasibility studies through Engineers India Limited (EIL), concurrent with the planed expansion of existing refineries in the East coast of India *i.e.* HPCL-Vizag, CPCL-Chennai and IOC's proposed refinery at Paradeep, MRPL in association with ONGC would take a final view in a holistic manner to decide on its investment plan for the proposed refinery.

(d) After obtaining approvals of MRPL and ONGC Boards of Directors, MRPL has extended Rs. 10.00 crore to Karnataka Special Economic Zone (KSEZ) as advance against equity to facilitate acquisition of land and Rs. 5.00 crore to Kakinada Refinery Petrochemical Limited (KRPL) to engage M/s. EIL for carrying out necessary Detailed Feasibility Report and M/s. Nextant for undertaking Marketing Study.

Committee on pricing of gas

1436. SHRI AMAR SINGH:
SHRI ABU ASIM AZMI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Committee set up by Government to go into the pricing of gas produced under the production sharing contract has submitted any report;

(b) if so, the details thereof; and

(c) what action Government have taken on the recommendations of the said Committee?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) Yes, Sir.

(b) Summary of recommendations of the Committee is given in the enclosed Statement. (*See* below)

(c) The report of the Committee is under examination in the Government.

Statement

Summary of the Recommendations of the Committee for formulation of transparent guidelines for approving natural gas pricing basis under Production Sharing Contracts for the purposes of Government take (Profit Petroleum, Royalty, etc.)

1. Where valuation of natural gas has to be necessarily done by the Government, it may be done based on most recent competitively determined price in the region duly indexed to the present.

2. The indexation shall be as per the provisions of market-determined contract as each market determined price has a contract which sets out various terms and conditions of supply of natural gas.

3. Typically long-term gas contracts have a clause for periodic gas price reviews. If price is reviewed as per the contract, that may become the new reference price. For interim period, it may be linked to percentage increase in price of Furnace Oil (FO). FO is not only the cheapest liquid fuel, but has also shown least price volatility in recent years.

4. Above valuation methodology in cases where may be applied only when actual supply has commenced and price could not be discovered through market mechanism.

5. If the actual price at which any producer supplies to any consumer happens to be higher than the one arrived at by above methodology, then the higher price shall be reckoned for the Government take.

6. In the eventually of applying the Committee's recommendations, Driector General, Directorate General of Hydrocarbons (DGH) and Director, Petroleum Planning and Analysis Cell (PPAC) shall jointly calculate and determine the valuation based on Committee's recommended methodology.

7. DGH shall also be responsible to ensure that the gas producer remits Government's take (Profit petroleum, Royalty, etc.) accordingly.